

EXHIBIT C

AUCTION AND SALE HEARING NOTICE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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| In re: |) | Chapter 11 |
| U.S. ENERGY SYSTEMS, INC., <i>et al.</i> , |) | Case No. 08-10054 (RDD) |
| Debtors. ¹ |) | (Jointly Administered) |

**NOTICE OF (I) AUCTION, (II) BIDDING PROCEDURES, (III) SALE OF
SUBSTANTIALLY ALL OF THE ASSETS OF THE U.S. ENERGY BIOGAS CORP.
DEBTORS AND DEBTORS-IN-POSSESSION FREE AND CLEAR OF ALL LIENS,
CLAIMS, ENCUMBRANCES, AND OTHER INTERESTS AND (IV) SETTING A DATE
AND TIME FOR A HEARING ON PROPOSED SALE RESULTING FROM AUCTION**

PLEASE TAKE NOTICE that pursuant to an Order (the “Bidding Procedures Order”) of the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”), dated _____, 2009, an auction (the “Auction”) approved by the Bankruptcy Court based on the motion (the “Sale Motion”), dated January __, 2009 of U.S. Energy Biogas Corp. (“USEB”), Biogas Financial Corp., Power Generation (Suffolk), Inc., Resources Generating Systems, Inc., Suffolk Biogas, Inc., USEB Assignee, LLC, ZFC Energy, Inc., ZMG Inc., and Oceanside Energy, Inc. (collectively, the “USEB Debtors”), each a debtor and debtor-in-possession in the above-captioned cases, for the sale of substantially all of their assets (the “Biogas Assets”), free and clear of all liens, claims, interests and encumbrances, will be conducted at the offices of Hunton & Williams LLP, 200 Park Avenue, New York, New York 10166, on _____, 2009 at 10:00 a.m. (prevailing Eastern Time), at which all prospective bidders may participate pursuant to the terms of the bidding and auction procedures (the “Bidding Procedures”) set forth in **Exhibit 1** to this Notice.

PLEASE TAKE FURTHER NOTICE that absent a competing higher or better offer from a qualified bidder made in accordance with the Bidding Procedures, the USEB Debtors propose to sell the Biogas Assets free and clear of all liens, claims, interests and encumbrances pursuant to the terms and conditions of that certain Asset Purchase Agreement among the USEB Debtors and Silver Point Finance, LLC (together with one or more affiliates, “Silver Point”), dated as of January __, 2009. A copy of the Sale Motion and the Asset Purchase Agreement may be (a) inspected at the Office of the Clerk of the Court, United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004, (b) downloaded from the website of the USEB Debtors’ claims, notice and balloting agent, Epiq Bankruptcy Solutions LLC, at <http://chapter11.epiqsystems.com>, or (c) obtained by written request made to USEB Debtors’ counsel, Hunton & Williams LLP, (Attn:

¹ The other Debtors are the following: U.S. Energy Overseas Investments, LLC and GBGH, LLC, U.S. Energy Biogas Corp., Biogas Financial Corp., Power Generation (Suffolk), Inc., Resources Generating Systems, Inc., Suffolk Biogas, Inc., USEB Assignee, LLC, ZFC Energy, Inc., ZMG Inc., and Oceanside Energy, Inc.

Peter S. Partee, Esq. and Scott H. Bernstein, Esq.), 200 Park Avenue, New York, New York 10016-0091, Facsimile (212) 309-1100.

PLEASE TAKE FURTHER NOTICE that pursuant to the Bidding Procedures any bidder desiring to submit a bid at the Auction **must** deliver a binding written offer to (i) US Energy Biogas, Inc., 40 Tower Lane, 1st Floor, Avon, Connecticut 06001 (Attn: Richard Augustine), (ii) Hunton & Williams LLP, 200 Park Avenue, New York, New York 10016-0091 (Attn: Peter S. Partee, Esq.), attorneys for USEB Debtors, and (iii) Skadden, Arps, Slate, Meagher & Flom LLP, 333 W. Wacker Drive, #2100, Chicago, Illinois 60606 (Attn: L. Byron Vance, III, Esq.), attorneys for the Silver Point Finance LLC, so that the offer is received not later than 12:00 p.m. (prevailing Eastern Time) on _____, 2009. To be considered, a bid **must** conform to the terms and conditions described in the Bidding Procedures.

PLEASE TAKE FURTHER NOTICE that all bids shall be subject to higher or otherwise better bids at the Auction. In the event that the USEB Debtors determine that they have not received a Qualified Bid (as defined in the Bidding Procedures) from a party other than Silver Point, the USEB Debtors will cancel the Auction and seek approval of the Sale of the Biogas Assets to Silver Point at the Sale Hearing (as defined below) or sooner. If a Qualified Bid is received from a party other than Silver Point, the results of the Auction will be presented to the Bankruptcy Court for approval at the Sale Hearing.

PLEASE TAKE FURTHER NOTICE that the Bankruptcy Court will hold a hearing (the "Sale Hearing") on _____, 2009 at 10:00 a.m. (prevailing Eastern Time) to consider USEB's selection of the highest or otherwise best bid and the proposed Sale of the Biogas Assets. The Sale Hearing may be adjourned from time to time without further notice except by announcement of the adjourned dates at the hearing or at any adjournment thereof.

PLEASE TAKE FURTHER NOTICE that the responses or objections to any of the relief to be considered at the Sale Hearing, including the USEB Debtors' request to approve the sale of the Biogas Assets free and clear of all liens, claims, interests and encumbrances, **must** (i) be in writing, (ii) set forth with particularity the basis for the response or objection, (iii) be filed with the Clerk of the Bankruptcy Court (with a courtesy copy delivered directly to the Chambers of the Honorable Robert D. Drain, United States Bankruptcy Court, One Bowling Green, Alexander Hamilton Custom House, New York, New York 10004) and (iv) be served on (a) Hunton & Williams LLP, 200 Park Avenue, New York, New York 10016-0091 (Attn: Peter S. Partee, Esq. and Scott H. Bernstein, Esq.), attorneys for the USEB Debtors; (b) Skadden, Arps, Slate, Meagher & Flom LLP, 333 W. Wacker Drive, #2100, Chicago, Illinois 60606 (Attn: L. Byron Vance, III, Esq.), attorneys for Silver Point Finance LLC, and (c) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Richard C. Morrissey, Esq.) so as to be actually received by no later than 4:00 p.m. (prevailing Eastern Time) on _____, 2009.

Dated: _____, 2009
New York, New York

BY ORDER OF THE COURT